

## Message Text

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ACTION EB-03

INFO OCT-01 SS-14 ADP-00 AF-04 NSC-10 NSCE-00 SSO-00

SCEM-01 L-02 PM-03 CIAE-00 INR-10 NSAE-00 RSC-01

INRE-00 OMB-01 COME-00 TRSE-00 CIEP-01 PRS-01 DODE-00

EUR-10 RSR-01 /063 W

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FM AMEMBASSY TRIPOLI

TO SECSTATE WASHDC 0417 IMMEDIATE

INFO AMEMBASSY LONDON

C O N F I D E N T I A L TRIPOLI 1052

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, LY

SUBJ: OXY NATIONALIZATION/NEGOTIATIONS WITH  
OTHER COMPANIES

1. INDUSTRY SOURCES HERE PROVIDED US WITH UPDATED INFORMATION ON THE OXY/LARG AGREEMENT BY WHICH OXY ACQUIESCED TO 51 PERCENT NATIONALIZATION OF OXY'S CONCESSIONS. THE AGREEMENT, WHICH WILLIAMSON OF OXY SIGNED EARLY AUGUST 12, STATES THAT OCCIDENTAL ACQUIESCED TO LARG DEMANDS UNDER SPECIFIC CONDITIONS, THE MOST IMPORTANT OF WHICH WERE: A) A 40.2 MILLION DINAR LETTER OF CREDIT TRANSFERRING THIS SUM FROM THE CENTRAL BANK OF LIBYA TO OXY'S ACCOUNT AT SAHARA BANK. B) THE AGREEMENT IS EFFECTIVE AUGUST 11, 1973 (NO RETROACTIVITY). C) OXY UNDERTAKES TO PURCHASE ALL LARG PRODUCTION FROM THEIR NOW JOINTLY-OWNED CONCESSION AREAS AT \$4.90 PER BARREL FOR THE NEXT SIX MONTHS. THIS CLAUSE CONTAINS PROVISIONS FOR ESCALATION OF PRICE IN THE EVENT LARG INCREASES ITS TAKE THROUGH NEW PARITY OR POSTED PRICE AGREEMENTS WITH THE INDUSTRY IN  
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GENERAL; FOLLOWING THE INITIAL SIX MONTHS, OXY HAS

FIRST OPTION ON GOVERNMENT OIL BUT LARG SETS THE PRICE. D) THE AGREEMENT SPECIFIES THAT OCCIDENTAL PETROLEUM IS THE OPERATOR OF THE JOINTLY-OWNED LIBYAN/OXY CONCESSIONS. (THIS CLARIFIES QUESTION OF WHETHER LARG NATIONALIZED PORTION OF OCCIDENTAL AS A CORPORATE ENTITY OR, AS DID OCCUR, ONLY NATIONALIZED 51 PERCENT OF OXY INTEREST IN LIBYAN CONCESSIONS); AND E) THE OCCIDENTAL "SUPPLEMENTAL PAYMENT" (A THREE PERCENT SURCHARGE STEMMING FROM DEBTS CLAIMED BY THE LIBYAN GOVERNMENT FOR ALLEGED UNDERPRICING OF CRUDE OIL IN THE 1960'S) IS APPROXIMATELY DOUBLED ON OXY'S SHARE OF PRODUCTION, THEREBY MAINTAINING LARG TAKE AT OXY'S EXPENSE. THE AGREEMENT ALSO CONTAINS A VAGUE PROVISION THAT EITHER PARTY CAN UNDERTAKE PROJECTS AT ITS SOLE RISK WITHIN THE CONCESSIONS PROVIDED THE OTHER PARTY IS OFFERED THE OPPORTUNITY TO PARTICIPATE.

2. WILLIAMSON TOLD OTHER INDUSTRY REPS THAT HE DRAFTED THE AGREEMENT LATE AUGUST 11. HE EXPLAINED HIS WILLINGNESS TO ENTER AGREEMENT BY SAYING OXY BELIEVED CONTRACTUAL SAFEGUARDS WOULD BE WORTHLESS ANYWAY. SPEED WITH WHICH OXY CAME TO AGREEMENT, PLUS THE LACK OF ANY MAJOR BENEFITS TO OXY APART FROM CASH COMPENSATION, ARE GENERATING SUSPICION IN INDUSTRY THAT OXY MADE SOME KIND OF PRIVATE DEAL WITH LARG.

3. AMOSEAS WAS CALLED TO MINISTRY OF PETROLEUM AUGUST 12. UNDERSECRETARY MUNTASSIR DEMANDED AGREEMENT TO 51 PERCENT NATIONALIZATION, WITH COMPENSATION AT NET ASSET VALUE (A LA OCCIDENTAL) AND BUY-BACK AT MARKET PRICES. MUNTASSIR DID NOT DEFINE MARKET PRICE BUT SAID IT WOULD BE ESTABLISHED BY NEGOTIATION. WHEN AMOSEAS NEGOTIATOR FULMAR SAID HE WOULD HAVE TO CONFER WITH HIS BOARD OF DIRECTORS PRIOR TO RESPONDING, MUNTASSIR IN HIS USUAL FLACCID MANNER, AGREED, BUT ADDED THAT AMOSEAS PRODUCTION WOULD MEANWHILE BE LIMITED TO 100,000 BARRELS A DAY (DOWN FROM 230,000) UNTIL AGREEMENT REACHED.

4. OASIS WAS ALSO CALLED FOR TALKS WITH JALLUD AND  
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MABRUK AUGUST 12, AND ASKED TO ACQUIESCE TO 51 PERCENT NATIONALIZATION. JALLUD THREATENED THAT IF OASIS AGREEMENT IS NOT FORTHCOMING, THE COMPANY WOULD BE NATIONALIZED 100 PERCENT. CONTINENTAL, MARATHON AND AMERADA ARE APPARENTLY HAMMERING OUT AGREEMENT WITH LARG. THE SHELL NEGOTIATOR REQUESTED TIME TO CONFER AT COMPANY HEADQUARTERS. LIKE AMOSEAS', SHELL'S REQUESTED WAS GRANTED, BUT WITH PRODUCTION TO BE SHUT IN UNTIL AGREEMENT

REACHED. LARG DEMANDS ON OASIS ARE STIFFER THAN WHAT LARG AGREED TO WITH OXY. INSTEAD OF IMMEDIATE CASH, LARG WANTS TO MAKE A PAY-OUT OF 27 MILLION DINAR COMPENSATION IN THREE PAYMENTS OVER FOUR YEARS. (OASIS HOPES TO GET PAYMENT IN FOUR INSTALLMENTS OVER TWO YEARS.) ALSO, 27 MILLION DINARS IS FARTHER FROM REAL VALUE OF OASIS' ASSETS THAN IS 40.2 MILLION FROM OXY'S.

LARG WANTS A COMMITTEE WITH A LARG-APPOINTED MAJORITY TO OVERSEE DAY-TO-DAY OASIS OPERATIONS IN ADDITION TO A COMMITTEE SIMILAR TO THE ONE IMPOSED IN THE OXY AGREEMENT (WHICH ACTS PRESUMABLY AS A CORPORATE BOARD OF DIRECTORS FOR THE JOINT LARG/COMPANY CONCESSION OWNERSHIP). LARG IS ALSO DEMANDING AN OASIS COMMITMENT TO A THREE-RIG DEVELOPMENT/EXPLORATION PROGRAM. (OASIS NOW OPERATES ONE RIG AND HOPES TO WIN AGREEMENT ON INCREASING THIS TO ONLY TWO.) OASIS IS ASKED TO ACCEPT A BUY-BACK AGREEMENT WITH OBLIGATES IT TO PURCHASE LARG'S SHARE OF PRODUCTION AT \$4.90 THROUGH MARCH 31, 1974. THE OASIS/LARG AGREEMENT IS TO BE EFFECTIVE AUGUST 11, LARG INSISTS. MABRUK MENTIONED AN ESTIMATE OF 42 MILLION DINARS AS THE FIGURE OASIS WOULD OWE IF RETROACTIVITY TO JANUARY 1, 1973 WERE IMPOSED. OASIS IS LIKELY TO JUMP AT EFFECTIVE DATE OF AUGUST 11, 1973 AS A VERY CHEAP WAY OUT. AS OF 1500 HOURS LOCAL AUGUST 14, WE HAVE NOT HEARD OF OASIS SIGNING AN AGREEMENT.

5. INDUSTRY SOURCES EXPECT OASIS, LESS THE SHELL PARTNER, WILL COME TO AGREEMENT VERY SHORTLY. THE MAJORS (AMOSEAS AND THE SHELL PARTNER IN OASIS) ARE ANOTHER MATTER. THE INDUSTRY HERE APPEARS UNSURE OF THEIR FINAL DECISION. SHELL MAY DECIDE TO SELL ITS OASIS INTEREST BACK TO AMERADA, THEREBY AVOIDING

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AGREEMENT TO LARG TERMS WHICH WOULD HAVE ONEROUS CONSEQUENCES IF IMPOSED ON SHELL BY OTHER PRODUCING COUNTRIES WHERE SHELL HAS MAJOR INTERESTS.

6. AMOSEAS MANAGER CLOSS SAYS HE BELIEVES ALL THIS MAY BE STRAW WHICH BREAKS THE CAMEL'S BACK FOR TEXACO AND CHEVRON IN LIBYA. HE ALLOWS, HOWEVER, THAT HE DID NOT THINK IT WOULD HAVE BEEN POSSIBLE FOR THE MAJORS TO LIVE WITH LARG'S 1970 DEMANDS. HE HAS ALSO EXPRESSED A THOUGHT WHICH MUST NOW BE WEIGHING HEAVILY ON THE MINDS OF TEXACO, CHEVRON AND SHELL EXECUTIVES: "WE HAVE AN AWFUL LOT HERE TO WALK AWAY FROM."

JOSIF

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## Message Attributes

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